

*“The Purpose of Work Is to Feel Good about Life”*

At one time Ricardo Semler, the unlikely hero of this story, preferred playing guitar to working in business. But with all the focus and tenacity it takes to become a great musician, Ricardo achieved the “impossible,” turning a struggling family business into a thriving company with revenue in excess of \$200 million and creating a management style now in use across the globe.

**Pursuing a New Idea against All Odds**

Brazil, in the early 1970s, was run by a military dictatorship. Not surprisingly, an autocratic, top-down management style was predominant in the private sector as well. The Semler Company was a prime example.<sup>1</sup> Established in 1954 by Antonio Curt Semler, who was then the CEO, the company was faltering in a changing market. When Antonio invited his son Ricardo, then 20 years old, to help run the company, it was in dire straits financially.

Young Ricardo, who was more interested in playing guitar in a rock band, was reluctant to join the family business. Only when the promise of a career in music faded did he agree to come on board. He immediately saw that the company was sluggish, due largely to a host of managers entrenched in their old routines. In short order he proposed several substantial changes he believed would make the firm more resilient. Antonio opposed them, prompting heated clashes between father and son. But despite a torrent of criticism from his father and the threatened managers, Semler clung to his vision of the workplace as a nimble and agile society of coworkers. At one point he even threatened to leave the company. Antonio, rather than see that happen, resigned in 1980 and transferred majority ownership to his son. Semler was 21 years old and full of energy

<sup>1</sup> Based on Fisher (2005); Maresco and York (2005); Hamel (2007); Daft (2015).

and vision for a much more democratic and responsive working environment. On his first day as CEO, he fired 60 percent of all top managers and began work on a diversification program to rescue the company.

Semler's cardinal vision was to give voice to coworkers and enable their initiative. To that end he changed the name of the company to SEMCO Partners<sup>2</sup> and accepted a proposal from three of his engineers to set up a new unit to identify new initiatives. The Nucleus of Technological Innovation (NTI) soon started bubbling with new ideas, one of which was to make the company's engineers partners and shareholders, thereby tying their pay directly to the results of their work. This initiative became a template for other satellite units created throughout the company. The number of employees in each of these satellite units was limited to 150–200, so that everyone in a unit could get to know each other and form a community with a common purpose. By the late 1980s, two-thirds of the company's workforce and products were in these satellite units.

Over the years, SEMCO also adopted the idea of autonomous teams. Teams began hiring and firing workers and supervisors through a voting process, and policy manuals were replaced with a policy of common sense. In fact, the only actual manual, which runs to merely about 20 pages, is filled with cartoons.

Semler stayed true to his vision of a friendly community at work. He said that the company should be like a village, and in this spirit he broke traditional rules and gradually eliminated the corporate drill: time clocks, dress codes, security procedures, privileged office spaces and perks all disappeared. Semler drove huge change based on a simple, rhetorical question: If people are responsible adults at home, why do we suddenly treat them as adolescents with no freedom when they reach the workplace?

During this period of transformation, SEMCO and its employees thrived. But big change is hard work, and Semler, believing that his continuous engagement was essential to the success of his ideas, had pushed himself to the point of exhaustion. In 1984, while touring a pump factory near New York, he collapsed on the shop floor. The doctor declared him essentially healthy but mentally more strained than any person of that age he had ever seen. After that scare, Semler resolved to harmonize his work life with his personal life and, similarly, to help his employees refashion their lives. The pivotal shift was to consider work as a way to enjoy life. He determined that the purpose of work isn't to make money – it's to make workers feel good about life.

<sup>2</sup> See [www.semco.com.br/en/](http://www.semco.com.br/en/) (retrieved March 16, 2019).

Many around him were convinced that this free-spirited management style would lead to the collapse of the company. But Semler stayed the course. "No one works for money alone," he would say. So it was essential to tap into what people wanted from their careers and what they had to offer. To counter his critics he used humor and paradox. He would say, for example, that the key to good management is to get rid of the managers!

He proved to be absolutely right. Under his leadership SEMCO went from near bankruptcy to \$4 million in annual revenue in eight years. By 1994, its revenue was \$35 million. These were heady times, but the real test of Semler's vision came during the economic crisis in 1998–99. The Brazilian economy spiraled downward, forcing many companies to declare bankruptcy. Unemployment rose from 6 percent before 1998 to 14 percent. In 1999, Brazil owed 46 percent of its GDP to foreign creditors and depleted its reserves in order to finance the deficit, while the Brazilian currency was significantly devaluated.

And what happened at SEMCO during this time? Workers demonstrated shared responsibility and agreed to wage cuts of up to 40 percent. They were also given the right to approve every expenditure. Semler created self-managed teams of six to eight workers who were in charge of all aspects of production. They set their own budgets and goals and agreed to tie compensation to budget and productivity. As a result, costs went down and profits went up. Additionally, the defect rate for manufactured products fell below 1 percent.

While many companies were bankrupted during the crisis, SEMCO used this miserable period to create the conditions for post-crisis development. For example, during the crisis, workers performed multiple roles, which gave them greater knowledge of various company operations and strengthened their identification with the company. Ricardo also solicited bottom-up ideas on how to improve the business. After the Brazilian crisis was over, SEMCO's productivity and profit dramatically improved, with revenue rising to \$212 million annually in 2002. Its employee count went from 90 in 1982 to 3,000 in 2003.

### **The Implementation and the Success**

SEMCO's spectacular growth-curve (to revenues of \$400 million in 2016) gained plenty of public attention. *Time* magazine featured Semler among its profiles of Global 100 young leaders in 1994. The World Economic Forum named him as one of the Global Leaders of Tomorrow. The *Wall Street Journal's* Latin American magazine named him Latin

American Businessman of the Year in 1990 and 1992. And *Turning Your Own Table*, his first book (in Portuguese), became the bestselling non-fiction book in the history of Brazil. Semler has since written two books in English on the transformation of SEMCO and workplace re-engineering. *Maverick* (an English version of *Turning Your Own Table*) was published in 1993, and *The Seven-Day Weekend* came out in 2003 and became an international bestseller. He's also written several articles and made many speeches and is a guest lecturer at Harvard Business School and MIT.<sup>3</sup>

### What Are His Messages?

Semler posits that the main objective of granting employees autonomy is to spur their creativity. His groundbreaking insight is that being self-driven increases the propensity to innovate. He also believes that processes and procedures that encumber creativity should be eliminated. For example, in order to remove possible obstacles to innovation, one of SEMCO's norms is that employees have to confine all their circulars, reports, letters, and minutes to a single piece of paper.

Semler endorses responsibility, but not in a pyramidal hierarchy. He sees these pyramids as the cause of much corporate evil, because the tip is too far from the base. Pyramidal structures emphasize power, promote insecurity, distort communications, clog interactions, and make it very difficult for the people who plan and the people who execute to move in the same direction. Instead, the SEMCO organizational model comprises three concentric circles: one corporate level and two operating levels at the manufacturing units. The central circle contains five "Counselors" who integrate the company's movements. Semler is one of them, and with the exception of a few legal documents that refer to him as "President," Counselor is the only title he uses. A second, larger circle contains eight division heads, known as "partners." The third, outermost circle includes all other employees, most of whom are referred to as "Associates." This circular model fosters both horizontal and diagonal communication, which together animate people's creativity.

This model also affords extraordinary freedom to company employees. Semler doesn't believe that control is advantageous. In one of his public presentations, he said that he doesn't care where people work, be it in one of the company's many locations or even at home. He speaks proudly of

<sup>3</sup> See, for example, Semler (1994, 1995, 2004).

factory-floor flextime, self-set salaries, unregulated business travel, and a rotating CEO-ship, believing that the returns from trusting people are much higher than the costs and consequences of controlling them.

People who are trusted are more co-responsible, he says. They identify with the company and internalize its goals, becoming reliable partners. In his book, *The Seven-Day Weekend*, he suggests that future managers should enable employees to blend work life and personal life with enthusiasm and creative energy, saying that smart bosses realize an employee might be most productive if they work on Sunday afternoon, play golf on Monday morning, go to a movie on Tuesday afternoon, and watch their child play soccer on Thursdays.

Semler’s revolutionary take on business goes beyond creating new operational and organizational models; he has also re-envisioned the definition of success. He thinks little of strategic planning and vision, calling them “barriers to success,” and paradoxically disputes the value of growth. A company’s success can’t be measured in numbers, he claims, since numbers ignore what the end user really thinks of the product and what the people who produce it really think of the company.

### **Spreading the Word despite Adversity**

Given his success, it was natural for Semler to want to share what was working well at SEMCO with others and so he spread the good news to other organizations. His efforts, however, were met with criticism, just as his ideas for the company had been years before. But he was once again determined to make the “undoable” doable. A first step was to address two “myths” (as he called them) about democratic management:

The first myth is that Semler’s ideas, while beautiful, are utopian, naïve, and not applicable elsewhere. Semler points out that those ideas took flight not only at SEMCO, but also in many other companies, such as Morning Star, Buurtzorg, Gore-Tex, Netflix, Basecamp, and Buffer.

The second myth is that this approach creates anarchy and fosters insubordination and lack of respect for the leaders, allowing people do whatever they want. Semler responds that when adults are treated with the respect and trust they believe they deserve, and when they feel like they’re working toward a greater purpose, they’re able to self-organize and decide how to get things done effectively.

In response to the false notion that Semler’s ideas couldn’t work for large multinationals as they did for small companies, Semler notes that large

organizations ultimately comprise many smaller teams, and are well-suited for his management style.<sup>4</sup>

Other naysayers argue that, while Semler's approach might have worked in the 1980s and 1990s, businesses face different challenges today. However, Semler insists that current organizational issues are similar in essence to those from 30 years ago, including remote work, tribal issues, dress codes, and the dissolution of boundaries between personal and professional lives. The way humans work has not changed dramatically, so democratic management hasn't become outdated.

Others chide that if people decide their own salaries, overheads will become too expensive. Semler's answer is that when salary information is shared openly, it's much easier to determine the right compensation and cost structures. Consequently, teams become more aware of expenses, especially when they're working to increase general profitability.

All in all, Semler believes that the philosophy of making people co-responsible is helpful in most settings. Organizations that trap their employees in rigid structures and controls and limit them to doing only what they're told stifle their workers' creativity, cloud their self-identity, and dampen their potential.

In his typical, indefatigable style Semler has taken his ideas to the public, giving speeches, TED talks, and lectures at leading universities, and writing articles and books. This, however, was not enough for him. To better promote the notion of organizing around people instead of policies and procedures, he founded the Semco Style Institute. The Institute puts individuals above organizational modes, treats adults like adults, and sees freedom and self-interest as the basis for collective alignment. Its five pivotal principles are to stimulate trust, self-management, extreme stakeholder alignment, and creative innovation, and to reduce controls.

Semco Style Institute offers a master's program in building organizations that show agility, stimulate performance, and foster entrepreneurship. The Institute also facilitates a leadership program and an experience-exchange program with other similar projects.

And it doesn't stop there. Semler's team has also launched an online gateway called LeadWise<sup>5</sup> for leaders who want to transform their organizations to People-Centric Management. This dialogue-based

<sup>4</sup> See <https://journal.leadwise.co/10-myths-about-democratic-management-by-ricardo-semmler-cf41175d3cdb> (retrieved March 17, 2019).

<sup>5</sup> See [www.leadwise.co](http://www.leadwise.co) (retrieved March 16, 2019).

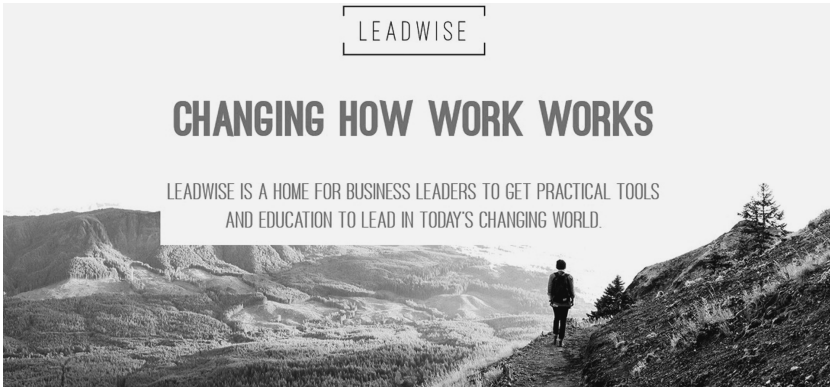


Figure 2 LeadWise home page.  
Permission received from LeadWise Institute.

platform offers a full array of webinars, newsletters, podcasts, and programs to teach and spread Semler’s demonstrated vision (see Figure 2).

### **Changing Impossible to Possible**

When Ricardo Semler took over his father’s firm at 21, his ideas looked unworkable and naïve to many. But something inside of him told him otherwise. What was it that propelled him forward in the face of skepticism and scorn to achieve so much? We’ll soon answer that, but first let’s meet another remarkable individual determined to achieve the “impossible.”